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AGREEMENT

between

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

and

THE GOVERNMENT OF THE KINGDOM OF NORWAY

regarding

Vietnam Total Resource Assessment - VITRA, Phase II

WHEREAS the Government of the Socialist Republic of Vietnam ("Vietnam") and the Government of the Kingdom of Norway ("Norway") have entered into an agreement on General Terms and Procedures for Development Co-operation between Vietnam and Norway dated 9th October 1996 ("the Main Agreement"), and with reference to the provisions therein relating to Specific Agreements,

WHEREAS Norway has supported the project Vietnam Total Resource Assessment - VITRA, Phase I through an Agreement dated 30th June 1995,

WHEREAS Vietnam in letter dated 27th August 2001 has requested Norway for assistance to Phase II of the project Vietnam Total Resource Assessment, and

WHEREAS Norway has decided to comply with the request;

NOW THEREFORE Vietnam and Norway have reached the following understanding which shall constitute a Specific Agreement as mentioned above:

Article I
Scope and Objectives

1 This Agreement sets forth the terms and procedures for Norway's assistance to the Project as outlined in Annex I to this Agreement ("the Project").

2 The Project is further outlined in the Project Proposal "Vietnam Total Resource Assessment (VITRA) – phase II" dated October 2001.

The Goal of the Project is:

> To ensure that the Vietnamese Authorities who deal with the management of Energy resources have a comprehensive knowledge of the total petroleum resources of the country, and that they continue to use this knowledge at management/policy level for overall strategic planning for the further development of the energy sector.

The Objectives of the Project are:

- To evaluate alternative data systems based on an evaluation of the Petrovietnam needs.
- To establish reporting regulations/guidelines for resource data.
- To establish procedures for continuously updating the resource database in a standard way (defining format, standards, and security levels of data / confidentiality) that allows users in different levels to access, update and maintain the database as well as use its output.
- To enable Petrovietnam to maintain, update, further develop the system, implement, use, and continuously improve Vietnam's Resource inventory system (an integrated geophysical and geological - "G&G"- and technical, economical analysis and planning system) after completing the Project.
- To enable Petrovietnam to make short- and long-term plans and scenarios for exploration, development and production activities in Vietnam.
- To integrate the VITRA results into a sustainable process followed by the Vietnamese Energy Authorities for management/policy making decisions, by increasing their awareness to the VITRA concept.
- To enhance and strengthen the overall institution capacity of Petrovietnam.

Article II
Cooperation - Representation - Administration

1. Norway and Vietnam shall cooperate fully to ensure that the Goal and Objectives of the Project are successfully accomplished. To that effect each Party shall furnish the other Party with all such information as may reasonably be required pertaining to the Project.

2. In matters pertaining to the implementation of this Agreement the Norwegian Agency for Development Cooperation ("NORAD") and the Vietnamese Ministry of

Planning and Investment ("MPI") shall be competent to represent Norway and Vietnam respectively.

MPI shall through Petrovietnam have the overall responsibility for the implementation of the Project.

All communication to Norway in regard to this Agreement shall be directed to the Royal Norwegian Embassy in Hanoi.

3 Vietnam shall through Petrovietnam sign a contract ("the Contract") for the implementation of the Project with the Norwegian Petroleum Directorate ("NPD") regarding institutional cooperation.

The Contract, as well as any amendments thereof, shall be approved by Norway before entering into force.

4. A Steering Committee of three members shall be established, two from Petrovietnam and one from NPD. A representative from Petrovietnam will be the Chairman of the Steering Committee.

The Steering Committee will meet semi-annually and shall:

- review the reported progress of the Project
- agree on proposals for changes to work-plans and budgets
- agree on corrective actions as necessary to carry out the Project.
- agree on annual work-plan and budget and reports to the Annual Meeting between MPI and NORAD.

Agreed Minutes of the meetings shall be sent to MPI and NORAD for information.

The daily follow up of the Project will be done by a Core Working Team ("CWT") headed by a Project Manager appointed by Petrovietnam. The Project Manager shall be responsible for the daily implementation and monitoring of the Project.

A Project Accountant ("PA") to be responsible for accounts, control and payment of invoices, control and preparation of budgets will be appointed by Petrovietnam and work within the CWT. The PA will report to the Project Manager.

NPD will appoint a Chief Technical Adviser ("CTA") to be approved by Petrovietnam. The CTA will advise the Project Manager in matters regarding Project planning, budgeting, Project implementation, preparation and evaluation of tenders and be the co-ordinator of all technical inputs from NPD.

5. Representatives of Norway and Vietnam shall have Annual Meetings in the first quarter each year in order to:

- approve work-plans and budgets for the current budget year;
- review the progress of the Project;
- discuss possible revisions of plans and budgets for the Project;
- discuss issues of special concerns for the implementation of the Project.

The documentation specified in Article VII, Clauses 1, 2 and 3, below, shall form the basis for the consultations.

The Annual Meeting shall be called by Petrovietnam and chaired by the Chairman of the Steering Committee.

The first Annual Meeting shall be called within three months after the signing of this Agreement in order to approve work-plans and budgets for the remaining part of the year 2002

The two Parties may in addition include others to be represented as advisors to their delegations.

Central elements of the discussions and all decisions from the consultations shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by Petrovietnam and sent to Norway for comments not later than 7 days after the Annual Meeting.

Article III
Contributions of Norway

1 Norway shall, subject to Parliamentary appropriations, and on the terms and procedures set out or referred to herein, make available to Vietnam a financial grant not exceeding NOK 9,000,000 (Norwegian Kroner nine million only) ("the Grant"), to be used exclusively to finance the Project in the planned period 2002 - 2004.

2 Any accrued interest on the Grant may be used for the benefit of the Project, as agreed by the Parties in writing.

3 Any funds not fully utilised for one activity may upon previous written agreement between the Parties be utilised for the benefit of other activities within the Project.

4 Any unspent disbursed funds and any unspent accrued interest shall be returned to Norway upon the completion of the Project.

Article IV
Contributions and Obligations of Vietnam

Vietnam shall make all reasonable efforts to facilitate the successful implementation of the Project, and shall hereunder:

1 have the overall responsibility for the planning, administration and implementation of the Project;

2 ensure that the Grant is reflected in the plans, budgets and accounts of Petrovietnam, and that accounts for the Project are kept in accordance with generally accepted accounting practices. The accounts shall include accrued interest, if any;

3. provide sufficient qualified local personnel and all financial and other resources that may be required over and above the Grant and the contribution of Vietnam as stated in Annex I to this Agreement, for the successful implementation of the Project;

4. provide the Project with sufficient office space and office facilities;

5. take over the responsibility of maintenance of the software and hardware in a five-year period after the end of VITRA II;

6. undertake all such obligations as set out in Article V and VI in the Main Agreement with regard to expatriate personnel and/or contractors financed by the Grant;

7. in accordance with Article VIII, Claus 2b) of the Main Agreement defray any customs duties, sales taxes and other taxes, fees and levies on all equipment, materials and supplies financed by the Grant and imported into Vietnam for the benefit of the Project;

8. in accordance with Article VIII clause 2 a) of the Main Agreement grant all necessary permits, import licences and foreign exchange permissions that may be required in connection with the implementation of the Project;

9. promptly inform Norway of any condition which interferes or threatens to interfere with the successful implementation of the Project;

10. permit representatives of Norway to visit any part of Vietnam for purposes related to this Agreement and examine any relevant records, goods and documents;

11. practise full transparency by informing, whenever relevant, the intended beneficiaries of the respective activities about the plans and appropriations/allocations made to the activity;

12. furnish the NPD with all such data and information relevant to the Project and provide promptly such facilities, services and arrangements as agreed upon in the Contract;

13. ensure that relevant professional staff from Petrovietnam, other ministries and oil companies take responsibility for and participate fully in activities arranged under the Project. This includes e.g. support to and participation in various meetings, seminars and workshops and the carrying out of defined tasks according to agreed work-plans;

14. facilitate that the key staff, whose competence has been upgraded during the Project, will be available within Petrovietnam and its affiliated companies as a minimum of two years after termination of the Project.

Article V
Procurement

1. Vietnam undertakes to effect all procurements of goods and services for the Project and is responsible for the contracts to be signed. Vietnam shall observe the highest ethics during the procurement and execution of the contracts.

Except for the Contract referred to in Article II, Clause 3 above, copies of contracts shall be submitted to Norway for information.

2 All procurements shall be performed in accordance with Vietnam's procurement regulations and with generally accepted principles and good procurement practices. Invitations to tender or to make offer as well as procurement contracts shall, respectively, include a clause stating that the tender/offer will be rejected and the contract cancelled, in case any illegal or corrupt practices have been connected with the award or the execution of the contract.

No offer, gift, payment or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts. Any such practice will be grounds for cancellation of this Agreement and the contracts concerned.

All contracts to be submitted to Norway shall be accompanied by a written statement from Vietnam stating that the above procurement regulations have been adhered to.

In accordance with the procurement regulations of Vietnam, Norwegian suppliers or Norwegian Consultants shall be given the same opportunities to compete for deliveries and/or participate in the bidding as other suppliers.

3 Vietnam shall upon request furnish Norway with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents. Norway may require access to information even during that stage in the procurement procedure when it is restricted to the officers performing the procurement. Restrictions on such information shall be respected until the information can be made public without any risk of detriment to the result of the procurement.

4 Vietnam shall ensure in its national legislation, adequate and effective means to punish and prevent illegal or corrupt practises.

Article VI
Disbursements

1 Vietnam shall submit to Norway written requests for disbursements from the Grant. The first request shall be based upon a work-plan with budget for the first half year and should be submitted to Norway after the signing of this Agreement and the Contract with NPD.

2 The subsequent requests shall be submitted to Norway semi-annually and be based on and relate to approved work-plans and budgets. They shall be accompanied by a progress report and certified financial statement showing income and expenditure for the foregoing period, and a cash flow budget for the coming period. Any amount, including interest if any, which is already disbursed but not fully utilised shall be

taken into account when requests are made. The financial statement shall be certified by the Project Manager and the PA.

3 Transfer of the funds will be undertaken upon Norway's approval of the request to a separate convertible bank account for the Project in a Norwegian and/or a Vietnamese bank and be available for the Project immediately. Vietnam shall immediately, in writing, acknowledge receipt of the funds.

4 All disbursements to suppliers of goods and services shall be made by Vietnam.

Article VII
Reports

1 Vietnam shall no later that three weeks prior to the Annual Meeting submit to Norway an Annual Report on the implementation of the Project. A format for the Annual Report is given in Annex II hereto.

The Annual Report shall include:

- progress report, giving information on actual outputs compared to planned outputs, work-plans and time schedules, use of inputs, problems encountered or foreseen and other information related to the implementation;

- report on current year's implementation and a presentation of possible needs for revision;

- Project accounts related to the agreed budget, specifying income from all sources and all expenditures.

As a preparation for the Annual Meetings mentioned in Article II, Clause 5, above, Vietnam shall within three weeks prior to the Annual Meeting submit to Norway:

- work-plans with planned outputs and time schedules for the next year;

- a budget for the next year of the Project, showing all income and expenditures;

These documents together with the Annual Report shall provide the basis for the discussions and decisions in the consultations.

An audit of the Project accounts shall be carried out accounts not later than three months after each financial year. Norway shall enter into a contract with an independent internationally acknowledged auditor firm to be agreed upon between Norway and Vietnam.

The audit opinion shall as a minimum certify:
- the principles adhered to during the audit;

- the total flow of funds, from receipt by Petrovietnam to final use on the various activities;
- the correctness and completeness of the figures in the accounts and that the accounts reflect the actual situation in the Project;
- any essential findings from the audit.

The audit shall be carried out in accordance with the above requirements and internationally recognised audit principles and practises, which shall be stated in the opinion.

The cost of the audit shall be covered from the Grant and paid directly by the Norwegian Embassy to the auditor.

5. Vietnam shall submit to Norway a final report within three months after the completion of the Project. The final report shall give a summary of outputs and activities undertaken, achievements compared to Goal and Objectives and an assessment of the efficiency of the Project.

6. Norway shall respond within 6 weeks upon receipt of the reports mentioned above.

Article VIII
Reservations

1. Norway reserves the right to withhold disbursements at any time in case i.a.:

   - the Project develops unfavourably in relation to the Goal and Objectives;
   - substantial deviations from agreed plans and budgets occur;
   - resources to be allocated by Vietnam are not provided as agreed;
   - the documentation specified in Article VII, above, is not delivered as agreed;
   - the financial management of the Project is not satisfactory.
   - the Contract referred to in Article II, Clause 3, above, is breached or terminated before all obligations therein are fulfilled.

2. Norway reserves the right to claim repayment in full or in part of funds from the Grant if the funds or part of the funds are found not to be used in accordance with the terms and conditions of this Agreement or not satisfactorily accounted for.

3. Before withholding any disbursements or claiming repayment the Parties shall consult with a view to reaching a solution in the matter.

4. Norway will cancel this Agreement or portion of this Agreement and have the right to demand cancellation of any contract financed under this Agreement, with immediate effect if it determines, with respect to any contract to be financed under

this Agreement, that corrupt or fraudulent practices were engaged in by representatives of Vietnam or a beneficiary of the aid funds during procurement or during the execution of the contract without Vietnam haven taken timely and appropriate action satisfactory to Norway to remedy the situation.

5 Norway and Vietnam agree to co-operate on preventing corruption within and through the Project. Norway and Vietnam undertake to take rapid legal measures in their respective countries to stop, investigate and prosecute in accordance with national law any person suspected of corruption or other intentional misuse of resources.

Article IX
Information - Evaluation - Reviews

An end-review of the Project shall be made, to assess the extent to which the Project reached its Objectives, as well as providing documentation of experience gained. The review shall be carried out as a joint review by a team of consultants appointed by MPI and NORAD. The two parties shall agree upon the Terms of Reference for the review. The cost for the Vietnamese participant(s) in the review shall be covered by the Grant.

Article X
Distribution of the present Agreement

The Parties shall distribute copies of the present Agreement to the respective ministries, authorities and other institutions involved in the Project or otherwise in need of information on its content.

Article XI
Disputes - Entry into Force - Termination

1. If any dispute arises relating to the implementation or interpretation of the present Agreement, there shall be consultations between the competent authorities designated in Article II, Clause 2, above, with a view to reaching agreement. In case of failure to reach an agreement the dispute shall be referred to the Norwegian Ministry of Foreign Affairs and the Vietnamese Ministry of Foreign Affairs.

2 This Agreement shall enter into force on the date of its signature and shall remain in force until both Parties have fulfilled all obligations arising from it. Whether these obligations shall be regarded as fulfilled shall be determined in consultations between the Parties.

3 Notwithstanding the previous clause both Parties may terminate the present Agreement by giving three months written notice to the other Party.

RF

In witness whereof the undersigned, acting on behalf of their respective Governments, have signed the present Agreement in two originals in the English language.

Done in Hanoi, this 21st day of May, 2002

Vo Hong Phuc, Vice-Minister
of Planning and Investment
For the Government of
the Socialist Republic of Vietnam

Per G. Stavnum, Ambassador
of Norway to Vietnam
For the Government of
the Kingdom of Norway